

**SeriousFun Children's Network, Inc.
and Subsidiaries**

**Consolidated Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

December 31, 2021 and 2020

SeriousFun Children's Network, Inc. and Subsidiaries

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Independent Auditor's Report

To the Board of Directors
SeriousFun Children's Network, Inc. and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of SeriousFun Children's Network, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of SeriousFun Children's Network, Inc. and Subsidiaries as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SeriousFun Children's Network, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SeriousFun Children's Network, Inc. and Subsidiaries' ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SeriousFun Children's Network, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SeriousFun Children's Network, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CohnReznick LLP

Hartford, Connecticut
June 3, 2022

SeriousFun Children's Network, Inc. and Subsidiaries

**Consolidated Statements of Financial Position
December 31, 2021 and 2020**

	<u>Assets</u>	
	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 8,708,325	\$ 7,276,353
Loan receivable	288,888	451,006
Unconditional promises to give	869,950	520,985
Prepaid expenses and other assets	252,478	245,949
Investments	8,755,736	8,332,420
Property and equipment (net)	<u>104,736</u>	<u>120,760</u>
 Total assets	 <u>\$ 18,980,113</u>	 <u>\$ 16,947,473</u>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable and accrued expenses	\$ 226,113	\$ 435,633
Payables to camps	<u>2,301,078</u>	<u>2,342,111</u>
 Total liabilities	 <u>2,527,191</u>	 <u>2,777,744</u>
Commitments		
Net assets		
Without donor restrictions	11,577,967	7,494,393
With donor restrictions	<u>4,874,955</u>	<u>6,675,336</u>
 Total net assets	 <u>16,452,922</u>	 <u>14,169,729</u>
 Total liabilities and net assets	 <u>\$ 18,980,113</u>	 <u>\$ 16,947,473</u>

See Notes to Consolidated Financial Statements.

SeriousFun Children's Network, Inc. and Subsidiaries

**Consolidated Statements of Activities
Years Ended December 31, 2021 and 2020**

	Without donor restrictions	With donor restrictions	2021	Without donor restrictions	With donor restrictions	2020
Support and revenue						
Contributions	\$ 6,106,256	\$ 6,221,415	\$ 12,327,671	\$ 6,249,536	\$ 5,947,011	\$ 12,196,547
Special events	578,370	38,169	616,539	330,118	38,657	368,775
Special events program expense	(168,407)	-	(168,407)	(231,104)	-	(231,104)
Contributions in-kind	240	694,346	694,586	300	1,399,270	1,399,570
Total support	6,516,459	6,953,930	13,470,389	6,348,850	7,384,938	13,733,788
Revenue						
Dividends, interest and other investment income	56,404	40,611	97,015	172,016	-	172,016
Realized and unrealized gain on investments	161,943	135,277	297,220	288,504	109,201	397,705
Net assets released from restrictions	8,930,199	(8,930,199)	-	6,931,728	(6,931,728)	-
Total revenue	9,148,546	(8,754,311)	394,235	7,392,248	(6,822,527)	569,721
Total support and revenue	15,665,005	(1,800,381)	13,864,624	13,741,098	562,411	14,303,509
Expenses						
Program services	10,065,322	-	10,065,322	10,848,714	-	10,848,714
Support services						
General and administrative	947,661	-	947,661	704,061	-	704,061
Development	1,264,663	-	1,264,663	1,562,194	-	1,562,194
Total support services	2,212,324	-	2,212,324	2,266,255	-	2,266,255
Total expenses	12,277,646	-	12,277,646	13,114,969	-	13,114,969
Changes in net assets	3,387,359	(1,800,381)	1,586,978	626,129	562,411	1,188,540
Other revenue						
Gain (loss) on foreign currency	(7,065)	-	(7,065)	23,151	-	23,151
Other grant revenue	703,280	-	703,280	703,200	-	703,200
Total other revenue	696,215	-	696,215	726,351	-	726,351
Total change in net assets	4,083,574	(1,800,381)	2,283,193	1,352,480	562,411	1,914,891
Net assets, beginning	7,494,393	6,675,336	14,169,729	6,141,913	6,112,925	12,254,838
Net assets, end	\$ 11,577,967	\$ 4,874,955	\$ 16,452,922	\$ 7,494,393	\$ 6,675,336	\$ 14,169,729

See Notes to Consolidated Financial Statements.

SeriousFun Children's Network, Inc. and Subsidiaries

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2021
(With Comparative Totals for 2020)**

	Program	Development	General and administrative	2021 Total	2020 Total
Grants and financial support to camps and partner programs	\$ 7,262,705	\$ -	\$ -	\$ 7,262,705	\$ 7,945,036
Personnel	2,085,752	991,132	737,397	3,814,281	3,758,590
Consultants and outside services	328,526	270,914	63,304	662,744	694,095
Travel and conferences	14,956	3,605	405	18,966	87,176
Information technology	76,557	59,397	26,295	162,249	203,211
Facilities and equipment	66,800	10,459	4,767	82,026	229,579
Insurance and professional fees	47,718	42,532	86,085	176,335	151,727
Office expenses and other	172,954	50,465	27,304	250,723	274,035
Depreciation	9,354	4,566	2,104	16,024	2,624
Total	10,065,322	1,433,070	947,661	12,446,053	13,346,073
Less: special events program expenses	-	(168,407)	-	(168,407)	(231,104)
	<u><u>\$ 10,065,322</u></u>	<u><u>\$ 1,264,663</u></u>	<u><u>\$ 947,661</u></u>	<u><u>\$ 12,277,646</u></u>	<u><u>\$ 13,114,969</u></u>

See Notes to Consolidated Financial Statements.

SeriousFun Children's Network, Inc. and Subsidiaries

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2020**

	<u>Program</u>	<u>Development</u>	<u>General and administrative</u>	<u>2020 Total</u>
Grants and financial support to camps and partner programs	\$ 7,945,036	\$ -	\$ -	\$ 7,945,036
Personnel	2,023,897	1,191,549	543,144	3,758,590
Consultants and outside services	406,386	249,660	38,049	694,095
Travel and conferences	75,354	8,790	3,032	87,176
Information technology	92,771	88,560	21,880	203,211
Facilities and equipment	118,610	76,073	34,896	229,579
Insurance and professional fees	43,208	31,178	77,341	151,727
Office expenses and other	142,020	146,614	(14,599)	274,035
Depreciation	<u>1,432</u>	<u>874</u>	<u>318</u>	<u>2,624</u>
 Total	 10,848,714	 1,793,298	 704,061	 13,346,073
 Less: special events program expenses	 <u>-</u>	 <u>(231,104)</u>	 <u>-</u>	 <u>(231,104)</u>
	<u>\$ 10,848,714</u>	<u>\$ 1,562,194</u>	<u>\$ 704,061</u>	<u>\$ 13,114,969</u>

See Notes to Consolidated Financial Statements.

SeriousFun Children's Network, Inc. and Subsidiaries

**Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 2,283,193	\$ 1,914,891
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Realized and unrealized gain on investments	(297,220)	(397,705)
Depreciation	16,024	2,624
Changes in operating assets and liabilities		
Unconditional promises to give	(348,965)	509,173
Prepaid expenses and other assets	(6,529)	64,865
Accounts payable and accrued expenses	(209,520)	171,594
Payable to camps	<u>(41,033)</u>	<u>298,534</u>
Net cash provided by operating activities	<u>1,395,950</u>	<u>2,563,976</u>
Cash flows from investing activities		
Proceeds from sale of investments	272,358	590,787
Purchase of investments	(398,454)	(669,590)
Repayment of loan receivable	162,118	35,925
Purchase of property and equipment	<u>-</u>	<u>(123,384)</u>
Net cash provided by (used in) investing activities	<u>36,022</u>	<u>(166,262)</u>
Net increase in cash and cash equivalents	1,431,972	2,397,714
Cash and cash equivalents, beginning	<u>7,276,353</u>	<u>4,878,639</u>
Cash and cash equivalents, end	<u>\$ 8,708,325</u>	<u>\$ 7,276,353</u>

See Notes to Consolidated Financial Statements.

SeriousFun Children's Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2021 and 2020

Note 1 - Nature of activities

SeriousFun Children's Network, Inc. (the "Organization") was formed in 2000 to support an association of affiliated camps and other facilities that serve children and families coping with serious illnesses and life-threatening conditions. It was created to support the shared interests and activities of the existing camps, and to foster the responsible development of new camps and new programs. Member camps and programs are located in North America, the Caribbean, Europe, Africa and Asia.

For programs, the activities include:

- Providing a forum for sharing information and best practices among the camps.
- Collecting and maintaining information on programs and management of the camps, to improve the delivery of camp programs and healthcare to children with serious illnesses and life-threatening conditions.
- Raising public awareness and engaging in common fundraising to benefit all camps.

Note 2 - Significant accounting policies

The significant accounting policies of the Organization are as follows:

Principles of consolidation

The consolidated financial statements include the accounts of the Organization and two related not-for-profit entities that are controlled by the Organization. Stichting SeriousFun Children's Network, Europe ("Stichting") was established in 2010 to organize and manage fundraising for the affiliated camps located in Europe. Stichting was liquidated on December 28, 2021. SeriousFun Children's Network International, United Kingdom ("UK") was established in 2014 to organize and manage fundraising for the affiliated camps from donors based in the United Kingdom. All material inter-organization transactions and balances have been eliminated in consolidation.

Basis of presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements report information regarding financial position and activities according to the following net asset categories:

Net assets without donor restrictions

Net assets without donor restrictions represent available resources other than donor-restricted contributions. Included in net assets without donor restrictions are funds that may be earmarked for specific purposes.

Net assets with donor restrictions

Net assets subject to donor- (or certain grantor-) imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

SeriousFun Children's Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2021 and 2020

Revenue recognition

Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period have been reported as unrestricted support in the statements of activities.

Exchange transactions - Revenue is recognized when control of the promised good or service is transferred in an amount that reflects the consideration expected in exchange for those goods or services.

Contributions received - An unconditional promise to give a financial asset is recognized as revenue when the promise is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contributions made - Contributions and grants made are recognized as expenses in the period in which the promise is made. Contributions and grants with a measurable performance or other barrier, and a right of return, are not recognized until the conditions upon which they depend have been substantially met. The Organization makes grants to member camps and partnership programs to aid in development and capacity building. These grants are generally not payable until certain conditions have been met and, therefore, the expenses are not recorded until such conditions have been met.

Non-cash contributions - The Organization records the estimated fair value of the donated materials, equipment and usage of assets (i.e., rent) as both contributions in-kind revenue and expenses in the accompanying consolidated financial statements at their estimated fair values at the date of receipt. Non-cash contributions were \$695,866 and \$1,402,324 for donated t-shirts and other merchandise for the years ended December 31, 2021 and 2020, respectively.

Donated services - The Organization recognizes donated services if they create or enhance nonfinancial assets or require specialized skills and would typically be purchased if not provided by donation. The Organization values these volunteer services based upon current rates provided to the Organization by the donor.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. There were \$7,695,212 and \$6,201,115 of cash equivalents as of December 31, 2021 and 2020, respectively.

Receivables

Receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on receivables using the allowance method. The allowance is based on management's past experience. The Organization's policy is to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

SeriousFun Children's Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2021 and 2020

Contributions to be received over future periods are presented at the present value of estimated future cash flows using a discount rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

Investments

Investments are reported at fair value with gains and losses included in the consolidated statements of activities. Gains and losses are considered unrestricted unless restricted by donor stipulation or law. Nonmonetary investments received as gifts are immediately sold and recorded at the realized value.

Property and equipment

The Organization capitalizes all furniture, equipment and leasehold improvements in excess of \$2,000 and with a useful life greater than one year. Certain computer equipment may be expensed as incurred. Furniture, equipment and leasehold improvements are carried at cost. Donated furniture and equipment are carried at the approximate fair value at the date of donation. Depreciation for furniture and equipment is computed using the straight-line method over the estimated useful life of five years. Leasehold improvements are amortized over the shorter of their useful life or term of the lease.

Property and equipment consisted of the following for the years ended December 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Furniture	\$ 164,136	\$ 164,136
Equipment	168,936	168,936
Leasehold improvements	<u>31,265</u>	<u>31,265</u>
	364,337	364,337
Less accumulated depreciation	<u>(259,601)</u>	<u>(243,577)</u>
Property and equipment, net	<u>\$ 104,736</u>	<u>\$ 120,760</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$16,024 and \$2,624, respectively.

Expenses for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in change in net assets for the period.

Income taxes

SeriousFun Children's Network, Inc. was organized as a nonprofit corporation under Section 501 (c)(3) of the Internal Revenue Code (the "Code") and, as such, is not subject to federal and state corporate income taxes.

The Organization has no unrecognized tax benefits. The Organization's federal information returns prior to fiscal year 2018 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

SeriousFun Children's Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2021 and 2020

If the Organization has unrelated business income taxes, it will recognize interest and penalties associated with uncertain positions as part of the income tax provision and include accrued interest and penalties with the related tax liability in the consolidated statements of financial position.

Allocation of functional expenses

The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The Organization allocates expenses based upon the purpose of the expense. Generally, an expense relates to a specific functional expense. In some instances, an expense might relate to multiple functional expenses. Management determines the percent of the expense used by each functional expense and allocates accordingly.

Advertising

The Organization expenses advertising costs as incurred. Advertising expense was \$21,071 and \$20,737 at December 31, 2021 and 2020, respectively, and is included in consultants and outside services expense.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Foreign currency

The Organization's controlled not-for-profit subsidiaries are located in the Netherlands and the United Kingdom. The functional currencies of these foreign operations are the local currencies. The financial statements of the Organization's foreign subsidiaries have been translated into U.S. dollars. All statement of financial position accounts have been translated using the exchange rate in effect at the statement of financial position dates. Statements of activities amounts have been translated using the average exchange rate for the year.

Foreign currency translation adjustments resulted in a loss of \$7,065 for the year ended December 31, 2021 and gain of \$23,151 for the year ended December 31, 2020. The gain/loss has been reported separately in the consolidated statements of activities. Accumulated net translation adjustments have been reported in net assets without donor restrictions in the consolidated statements of financial position.

As of May 31, 2022, there was a decrease in the value of the British Pound relative to the U.S. dollar. As a result of the change in foreign currency, the Organization would expect to record a loss of approximately \$10,800 in 2022.

Concentrations of credit risk

The Organization maintains its United States-based cash and cash equivalent balances in one financial institution. Accounts are insured by the Federal Deposit Insurance Corporation. From time to time, the Organization's balances may exceed these limits. At December 31, 2021, the Organization's uninsured domestic bank balances totaled \$8.1 million. Cash held in foreign accounts are not covered by any U.S. government insurance. At December 31, 2021, the

SeriousFun Children's Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2021 and 2020

Organization's uninsured foreign bank balances totaled \$161,938. The Organization limits its credit risk by selecting financial institutions considered to be highly creditworthy.

The Organization invests in various equity securities. These investment securities are recorded at fair value. Accordingly, the investment securities can fluctuate because of interest rates, reinvestment, credit and other risk depending on the nature of the specific investment. Therefore, it is at least reasonably possible that these factors could result in changes in the value of the Organization's investments which could materially affect amounts reported in the consolidated financial statements.

The Organization has operations outside the United States with foreign currency denominated assets and liabilities, primarily denominated in the Euro and the British pound. Because the Organization has foreign currency denominated assets and liabilities, financial exposure may result, primarily from the timing of transactions and the movement of exchange rates. The foreign currency balance sheet exposures as of the end of 2021 are not expected to result in a significant impact on future earnings or cash flows.

During 2021, contributions received from three donors each exceeded 10% of total revenue with the most significant donor contributing 37% of total revenue, followed by two other donors contributing 19% and 12% of total revenue. During 2020, approximately 57% of contribution revenue was received from two donors.

Subsequent events

The Organization has evaluated subsequent events through June 3, 2022, which is the date the consolidated financial statements were available to be issued.

Note 3 - Liquidity

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations.

	2021	2020
Cash and cash equivalents	\$ 8,708,325	\$ 7,276,353
Loan receivable	288,888	451,006
Unconditional promises to give	869,950	520,985
Investments	8,755,736	8,332,420
	18,622,899	16,580,764
Less: unconditional promises to give after more than one year	-	(199,792)
Less: endowment funds to be used in perpetuity	(1,100,000)	(1,100,000)
Less: loan receivable after more than one year	(121,940)	(333,896)
Less: board-designated capital reserve	-	(895,957)
Financial assets available	<u>\$ 17,400,959</u>	<u>\$ 14,051,119</u>

Certain financial assets are subject to donor-imposed restrictions due to time or purpose that can be met to cover costs during the next 12 months as of December 31, 2021 and 2020.

SeriousFun Children's Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2021 and 2020

The Organization supports its general operations primarily with unrestricted donor contributions and donor-restricted funds whose time or purpose restriction has been met.

The Organization's Investment Policy Statement requires the investment portfolio to maintain liquid instruments within its portfolio to ensure assets are available to meet general expenditures, liabilities and other obligations as they come due. The Organization's finance committee reviews investment performance and considers near-term liquidity needs.

Note 4 - Loan receivable

The Organization's loan receivable represents the amount receivable from Flying Horse Farms under a \$650,000 unsecured line of credit. The line of credit bears interest at a rate of 2% per annum and was due and payable no later than January 31, 2019.

On June 17, 2020, the loan was amended to satisfy principal payments of \$650,000 and unpaid accrued interest of \$17,792. As a result of COVID-19, no payments were required for the months of May 2020 through December 2020. Full payments commenced in January 2021. The amended loan agreement requires 48 monthly payments of principal of \$13,912. Final payment is due September 1, 2023. One final payment of the interest accrued during the period of nonpayment will be paid in September 2023.

Total loan receivable balance (including unpaid accrued interest) as of December 31, 2021 and 2020 was \$288,888 and \$451,006, respectively.

The future minimum payments due are as follows:

2022	\$	166,948
2023		<u>121,940</u>
	\$	<u><u>288,888</u></u>

Note 5 - Unconditional promises to give

Unconditional promises to give are comprised of the following:

	<u>2021</u>	<u>2020</u>
Receivable due in		
Less than one year	\$ 869,950	\$ 330,586
One to five years	-	199,792
Greater than five years	<u>-</u>	<u>-</u>
	869,950	530,378
Less allowance	-	-
Less unconditional promises to give discount	<u>-</u>	<u>(9,393)</u>
	<u><u>\$ 869,950</u></u>	<u><u>\$ 520,985</u></u>

SeriousFun Children's Network, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2021 and 2020**

Note 6 - Investments and fair value measurement

Investments are comprised of the following:

	<u>2021</u>	<u>2020</u>
Cash and money balances	\$ 35,974	\$ -
Mutual funds	8,697,528	8,332,420
Exchange traded funds	<u>22,234</u>	<u>-</u>
Total	<u>\$ 8,755,736</u>	<u>\$ 8,332,420</u>

The Organization values its financial assets and liabilities that are recognized or disclosed at fair value on a recurring or nonrecurring basis. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The fair value hierarchy distinguishes three levels of inputs that may be utilized when measuring fair value. The three levels of the fair value hierarchy are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. All of the Organization's investments are classified as Level 1.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Valuation techniques used need to maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

SeriousFun Children's Network, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2021 and 2020**

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2021:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and money balances	\$ 35,974	\$ 35,974	\$ -	\$ -
Short-term fixed income	5,849,201	5,849,201	-	-
Fixed income	195,140	195,140	-	-
Equities	2,526,246	2,526,246	-	-
Alternative strategies	90,283	90,283	-	-
World allocation	36,658	36,658	-	-
Commodities	22,234	22,234	-	-
	<u>\$ 8,755,736</u>	<u>\$ 8,755,736</u>	<u>\$ -</u>	<u>\$ -</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2020:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Short-term fixed income	\$ 5,903,248	\$ 5,903,248	\$ -	\$ -
Fixed income	231,565	231,565	-	-
Equities	2,087,510	2,087,510	-	-
Alternative strategies	71,257	71,257	-	-
World allocation	21,756	21,756	-	-
Commodities	17,084	17,084	-	-
	<u>\$ 8,332,420</u>	<u>\$ 8,332,420</u>	<u>\$ -</u>	<u>\$ -</u>

Investments in mutual funds are valued at the daily closing price as reported by the fund (Level 1). Mutual funds are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The funds held by the Organization are deemed to be actively traded. Common stock is valued using market prices on active markets (Level 1). Level 1 instrument valuations are obtained from real time quotes for transactions in active exchange markets involving identical assets.

Investments in commodities are exchange traded funds and valued at the closing price reported on the active market on which the individual securities are traded.

The preceding method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no changes in valuation methods from 2020 to 2021.

SeriousFun Children's Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2021 and 2020

Note 7 - Net assets

Net assets consisted of the following:

	<u>2021</u>	<u>2020</u>
With donor restrictions		
Purpose and time restrictions	\$ 3,380,909	\$ 5,357,178
Accumulated investment gains (loss) on endowment	394,046	218,158
Amounts required to be held in perpetuity	<u>1,100,000</u>	<u>1,100,000</u>
	<u>\$ 4,874,955</u>	<u>\$ 6,675,336</u>

The purpose restrictions relate primarily to amounts to be expended as grants to member camps and for other future events and operations.

In the years ended December 31, 2021 and 2020, net assets of \$8,930,199 and \$6,931,728, respectively, were released from donor restrictions due to the satisfaction of purpose restrictions.

The board had designated certain funds for a capital reserve. The amount designated totaled \$0 and \$895,957 for the years December 31, 2021 and 2020, respectively.

Note 8 - Related party transactions

During the years ended December 31, 2021 and 2020, the Organization received \$4,726,102 and \$6,048,442, respectively, of cash contributions from related organizations, members of the Organization's board of directors and employees.

One related party contributed \$4,713,805 in the year ended December 31, 2021 and \$5,655,833 in the year ended December 31, 2020, which is approximately 37% and 41% of total revenue, respectively.

Note 9 - Endowment

The Organization's endowment includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Underwater endowment funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the State of Connecticut Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") requires the Organization to retain as a fund of perpetual duration.

While CTUPMIFA allows for endowment funds to fall below the required level, it is the Organization's intention to maintain its endowment funds at their required levels when possible. The Organization did not have underwater endowment funds at December 31, 2021 and 2020, respectively.

SeriousFun Children's Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2021 and 2020

Return objectives and risk parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to generate annual returns in support of operations while also increasing the value of endowment assets. The endowment investment objectives are to safeguard and preserve the real purchasing power of the portfolio while earning investment returns sufficient to meet donor requirements. Under this policy, the Organization seeks to control risk and reduce volatility in its portfolio through diversification. The Organization also seeks to maintain adequate liquidity to meet its obligations, including planned expenditures.

Strategies employed to achieve objectives

To satisfy its long-term rate of return objectives, endowment funds are allocated among various asset classes including equity, fixed income, alternative investments and cash and is diversified both by and within asset classes. The purpose of this diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the performance of the endowment.

Spending policy and how the investment objectives relate to spending policy

The Organization has a policy of appropriating not more than 5% of the average market value of the endowment fund for the preceding 12 quarters. This is consistent with the Organization's objective to achieve net income of 5% to distribute to US camps, while preserving the original gift in its entirety.

Interpretation of relevant law

The Board of Directors has interpreted CTUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted or unrestricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by CTUPMIFA.

Interpretation of relevant law

In accordance with CTUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of the Organization and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the Organization

SeriousFun Children's Network, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2021 and 2020**

g. The investment policies of the Organization

Endowment net asset composition by type of fund is as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
December 31, 2021			
Board designated	\$ -	\$ -	\$ -
Donor restricted			
Original donor gift maintained in perpetuity	-	1,100,000	1,100,000
Accumulated investment gain	-	394,046	394,046
	<u>\$ -</u>	<u>\$ 1,494,046</u>	<u>\$ 1,494,046</u>
December 31, 2020			
Board designated	\$ -	\$ -	\$ -
Donor restricted			
Original donor gift maintained in perpetuity	-	1,100,000	1,100,000
Accumulated investment gain	-	218,158	218,158
	<u>\$ -</u>	<u>\$ 1,318,158</u>	<u>\$ 1,318,158</u>

SeriousFun Children's Network, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2021 and 2020**

Changes in endowment net assets are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, January 1, 2020	\$ -	\$ 1,190,050	\$ 1,190,050
Investment return			
Investment income	-	22,287	22,287
Unrealized/realized gains and (losses)	-	110,223	110,223
Net investment return	-	132,510	132,510
Contributions	-	-	-
Approved for expenditure	-	(4,402)	(4,402)
Endowment net assets, December 31, 2020	-	1,318,158	1,318,158
Investment return			
Investment income	-	40,611	40,611
Unrealized/realized gains and (losses)	-	141,029	141,029
Net investment return	-	181,640	181,640
Contributions	-	-	-
Approved for expenditure	-	(5,752)	(5,752)
Endowment net asset, December 31, 2021	<u>\$ -</u>	<u>\$ 1,494,046</u>	<u>\$ 1,494,046</u>

Note 10 - Retirement plans

The Organization sponsors a qualified defined contribution retirement plan (the "Plan") for all eligible employees. Employees are eligible to participate in the Plan after completing one year of service and attaining 18 years of age. The Organization contributes up to 9% of eligible salaries to the Plan annually, and employees become fully vested in the Organization's contribution after three years of service. Retirement expense related to this Plan was \$248,025 and \$238,483 for the years ended December 31, 2021 and 2020, respectively.

Note 11 - Commitments

There were no conditional grants authorized to member camps as of December 31, 2021 and 2020.

The Organization relocated to a Norwalk, Connecticut office through a 10-year operating lease commencing November 1, 2020, with rent payments commencing October 1, 2021 through September 30, 2031. The lease agreement includes an extension option for two additional periods of five years each at the end of the initial lease term.

The Organization has various operating leases for office equipment that are on a month-to-month basis.

SeriousFun Children's Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2021 and 2020

Minimum future rental payments under noncancelable operating leases are as follows:

	<u>Real estate</u>
2022	\$ 185,799
2023	189,515
2024	193,306
2025	197,172
2026	201,115
Thereafter	<u>1,057,423</u>
	<u>\$ 2,024,330</u>

Rent expense recognized in the consolidated statements of activities under its operating leases was \$70,212 and \$201,101, respectively, for the years ended December 31, 2021 and 2020.

Note 12 - Conditional Promises to Receive

During 2019, the Organization received a grant for \$22,250,000 that contained donor-imposed conditions. The Organization recognized \$4,500,000 in 2021 and 2020 upon meeting certain conditions of the grant. At December 31, 2021, \$9 million remains available.

During 2017, the Organization received a grant for \$2,125,000 that contained donor-imposed conditions. The Organization did not recognize any amounts in 2020. In 2021, \$205,000 was recognized as revenue as conditions were met. At December 31, 2021, \$205,000 remains available.

During 2019, the Organization received a grant for 1 billion JPY that contained donor-imposed conditions. The Organization recognized revenue of 170,952,340 JPY in 2021 and 146,794,656 JPY in 2020 upon meeting certain conditions of the grant. At December 31, 2021, 682,728,190 JPY remains available.

During 2020, the Organization received a grant for \$1,000,000 that contained donor-imposed conditions. The Organization recognized \$365,714 in 2021 and \$634,286 in 2020 upon meeting certain conditions of the grant.

The Organization has received conditional promises to give that are based upon sales of certain products or fundraising results of the grantor. The amount of these promises to give are unknown.

SeriousFun Children's Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2021 and 2020

Note 13 - Contingency

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of revenue and other material adverse effects to the Organization's financial position, results of operations, and cash flows. As of December 31, 2021, the global pandemic is still ongoing. Management continues to monitor the results of operations to evaluate the economic impact of the pandemic on the Organization.

Note 14 - Paycheck Protection Program loan forgiveness

On January 30, 2021, the Organization entered into an unsecured promissory note with a commercial bank for an aggregate principal amount of approximately \$703,280 pursuant to the Paycheck Protection Program (the "PPP Loan"), which was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and is administered by the U.S. Small Business Administration (the "SBA"). The PPP Loan promissory note contains customary events of default relating to, among other things, payment defaults breach of representations and warranties, or provisions of the promissory note. Proceeds from the loan were eligible for forgiveness if the Organization maintained employment levels during its 24-week covered period and used the funds for certain payroll, rent, and utility expenses. On October 5, 2021, the loan was forgiven in full. There is a six-year period during which the SBA can review the Organization's forgiveness calculation. For the year ended December 31, 2021, \$703,280 of grant income has been recorded.

Supplementary Information

SeriousFun Children's Network, Inc. and Subsidiaries

Supplementary Information

**Consolidating Statement of Financial Position
December 31, 2021**

	<u>Assets</u>			
	SeriousFun Children's Network, Inc.	SeriousFun Children's Network International, United Kingdom	Eliminating entries	2021
Assets				
Cash and cash equivalents	\$ 8,546,387	\$ 161,938	\$ -	\$ 8,708,325
Loan receivable	288,888	-	-	288,888
Unconditional promises to give	418,256	451,694	-	869,950
Prepaid expenses and other assets	252,478	-	-	252,478
Investments	8,755,736	-	-	8,755,736
Property and equipment (net)	104,736	-	-	104,736
	<u>\$ 18,366,481</u>	<u>\$ 613,632</u>	<u>\$ -</u>	<u>\$ 18,980,113</u>
Total assets				
<u>Liabilities and Net Assets</u>				
Liabilities				
Accounts payable and accrued expenses	\$ 221,977	\$ 4,136	\$ -	\$ 226,113
Payables to camps	2,301,078	-	-	2,301,078
	<u>2,523,055</u>	<u>4,136</u>	<u>-</u>	<u>2,527,191</u>
Total liabilities				
Commitments				
Net assets				
Without donor restrictions	11,418,426	159,541	-	11,577,967
With donor restrictions	4,425,000	449,955	-	4,874,955
	<u>15,843,426</u>	<u>609,496</u>	<u>-</u>	<u>16,452,922</u>
Total net assets				
Total liabilities and net assets	<u>\$ 18,366,481</u>	<u>\$ 613,632</u>	<u>\$ -</u>	<u>\$ 18,980,113</u>

See Independent Auditor's Report.

SeriousFun Children's Network, Inc. and Subsidiaries

Supplementary Information

**Consolidating Statement of Activities
Year Ended December 31, 2021**

	SeriousFun Children's Network, Inc.		SeriousFun Children's Network International, United Kingdom		Total	Eliminating entries	2021
	Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions			
Support and revenue							
Contributions	\$ 6,103,769	\$ 5,314,163	\$ 2,487	\$ 907,252	\$ 12,327,671	\$ -	\$ 12,327,671
Special events	578,370	38,169	-	-	616,539	-	616,539
Special events program expense	(168,407)	-	-	-	(168,407)	-	(168,407)
Contributions in-kind	240	694,346	-	-	694,586	-	694,586
Other income	-	-	122,237	-	122,237	(122,237)	-
Total support	6,513,972	6,046,678	124,724	907,252	13,592,626	(122,237)	13,470,389
Revenue							
Dividends, interest and other investment income	56,404	40,611	-	-	97,015	-	97,015
Realized and unrealized gain on investments	161,943	135,277	-	-	297,220	-	297,220
Net assets released from restrictions	8,555,140	(8,555,140)	375,059	(375,059)	-	-	-
Total revenue	8,773,487	(8,379,252)	375,059	(375,059)	394,235	-	394,235
Total support and revenue	15,287,459	(2,332,574)	499,783	532,193	13,986,861	(122,237)	13,864,624

SeriousFun Children's Network, Inc. and Subsidiaries

Supplementary Information

**Consolidating Statement of Activities
Year Ended December 31, 2021**

	SeriousFun Children's Network, Inc.		SeriousFun Children's Network International, United Kingdom		Total	Eliminating entries	2021
	Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions			
Expenses							
Program services	9,628,529	-	436,793	-	10,065,322	-	10,065,322
Support services							
General and administrative	1,052,979	-	16,919	-	1,069,898	(122,237)	947,661
Development	1,264,663	-	-	-	1,264,663	-	1,264,663
Total support services	2,317,642	-	16,919	-	2,334,561	(122,237)	2,212,324
Total expenses	11,946,171	-	453,712	-	12,399,883	(122,237)	12,277,646
Changes in net assets	3,341,288	(2,332,574)	46,071	532,193	1,586,978	-	1,586,978
Other revenue							
Loss on foreign currency	(7,065)	-	-	-	(7,065)	-	(7,065)
Other grant revenue	703,280	-	-	-	703,280	-	703,280
Total other revenue	696,215	-	-	-	696,215	-	696,215
Total change in net assets	4,037,503	(2,332,574)	46,071	532,193	2,283,193	-	2,283,193
Net assets, beginning	7,380,923	6,757,574	113,470	(82,238)	14,169,729	-	14,169,729
Net assets, end	\$ 11,418,426	\$ 4,425,000	\$ 159,541	\$ 449,955	\$ 16,452,922	\$ -	\$ 16,452,922

See Independent Auditor's Report.



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